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DRAFT WORKING PAPER

Towards a work plan 2017-20 for the implementation

of the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan

I. Introduction and background

Forests cover 31 % of the world's land area and are critical to global sustainable development with 1.6 billion people depending to varying degrees on them for their livelihoods, including for fuel, medicinal plants and food, and 200 million people, including many indigenous people, directly depending on them for their survival. According to FAO estimates¹, around 7.6m ha of forests are lost every year at the global level, particularly in tropical regions². The associated environmental, economic and social impacts are significant. Forests are not only an essential source of timber, food and fiber, but they are also home to most of the terrestrial biodiversity, are a major provider of various ecosystem services,³ and play a significant role in the global carbon cycle. Deforestation accounts annually for more GHG emissions than the total EU economy, and avoided deforestation represents about a fourth of the global mitigation potential 2005-2030⁴.

Achieving sustainable forest management and halting deforestation have been specifically included in the 2030 Sustainable Development Goals (Target 15.2) although forests are indeed fundamental across the spectrum of the SDG agenda, development areas from poverty eradication to water and food security, climate change, social justice and sustainable consumption and production patterns. The EU, in line with its responsibility as one of the largest timber consumers undertook to lead global efforts to address illegal logging and its associated trade. The EU Action Plan on Forest Law Enforcement Governance and Trade ("FLEGT Action

1 FAO Forest Resource Assessment 2015.

2 Deforestation is at its highest in tropical and sub-tropical regions. The main regions with gross deforestation are South America (33%), Sub-Saharan Africa (31%), and Southeast Asia (19%), 2013 Study

3 Including water regulation, soil protection, disaster risk reduction, etc.

4 The LULUCF sector within the Intended Nationally Determined Contributions, Giacomo Grassi JRC/IES

Plan")⁵, adopted in 2003, sets out "a process and a package of measures" "to address the growing problem of illegal logging and related trade" and foster "EU's wider objective to encourage sustainable forest management"⁶ and contribute to sustainable development⁷. It has built a global coalition against it by leveraging trade measures, development cooperation and broad stakeholder engagement. Such actions, within the context of FLEGT, support efforts across a range of SDGs. In particular, there is evidence that FLEGT directly addresses goals 8 (promote inclusive and sustainable economic growth, employment and decent work for all); 12 (ensure sustainable consumption and production patterns);, 13 (take urgent action to combat climate change and its impacts); 15 (sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss); 16 (promote just, peaceful and inclusive societies) and their sub-goals.

It also supports the Paris Agreement under the UNFCCC, which as part of its goal of keeping global temperature rises to well below 2°C, places forests centre-stage, stating that carbon dioxide emissions must be balanced with removals of carbon.

To enhance coherence and synergies in international forest policy, in 2017 the UN has adopted its first ever UN Strategic Plan for Forests, 2017-2030 which provides a global framework for actions at all levels to sustainably manage all types of forests and halt deforestation and forest degradation. At the heart of the Strategic Plan are six Global Forest Goals and 26 associated targets to be achieved by 2030, which are voluntary and universal.⁸ The Global Forest Goal 5 is to "Promote governance frameworks to implement sustainable forest management, including through the UN Forest Instrument, and enhance the contribution of forests to the 2030 Agenda." This goal includes the specific target 5.2 "Forest law enforcement and governance are enhanced, including through significantly strengthening national and subnational forest authorities, and illegal logging and associated trade is significantly reduced worldwide".

Against that multilateral background to which the EU has committed, the new Consensus on Development emphasizes the need to direct major efforts and investments towards preventing deforestation, and maintaining healthy ecosystems while keeping smallholder farmers and the poor central to sustainable development. It highlights the role the EU aims at playing in improving governance relating to tenure of land and forests, promoting good governance and

5 Communication from the Commission to the Council and the European Parliament — Forest Law Enforcement, Governance and Trade (FLEGT) — Proposal for an EU Action Plan, COM (2003) 251

6 "Since in many countries forest legislation is based on the premise of sustainable forest management, better law enforcement will in general lead to more sustainable forest management. Where this is not the case the EU should encourage a review of the legal framework."

7 "The FLEGT Action Plan represents a contribution to the implementation of the WSSD Plan of Implementation, specifically paragraph 45c." "Better forest governance is therefore an important step on the path to sustainable development".

8 The set of Goal and Targets of the UNFSP support the objectives of the International Arrangement on Forests and aim to contribute to progress on the Sustainable Development Goals, the Aichi Biodiversity Targets, the Paris Agreement adopted under the UN Framework Convention on Climate Change and other international forest-related instruments, processes, commitments and goals.

the rule of law, accountable and transparent institutions, participatory decision-making and public access to information, effective multi-level governance, with the participation of all stakeholders and in particular vulnerable groups, through partnerships between national, sub-national and local governments. It recognizes the key role of the private sector as an engine for long-term sustainable development and the need to expand partnerships with the private sector as well as civil society. In that context, the European External Investment Plan (EEIP) proposed by the Commission aims to encourage investment in Africa and the EU Neighbourhood to strengthen EU partnerships and contribute to achieving the Sustainable Development Goals. The FLEGT Action Plan, the implementation for which is to be reinforced through the future work plan, addresses to varying degrees all the issues above.

The Action Plan is structured around the seven action areas designed to tackle both the supply side and the demand side of the problem on the basis of a coordinated EU response, drawing on the different strengths and capacity of the European Commission and the EU Member States. The seven action areas of the FLEGT AP include a) support to timber-producing countries; b) trade in timber; c) public procurement; d) private sector initiatives; e) safeguards for financing and investment; f) use of existing legislative instruments; and g) conflict timber.

An independent evaluation of the FLEGT AP was completed in April 2016. As summarised in the Commission Staff Working Document on the Evaluation published in June 2016⁹, *"the evaluation confirms the relevance and the innovative design of the FLEGT Action Plan, and its important contribution to the international fight against illegal logging and associated trade. The evaluation concluded that the AP's design is 'present and future-proof' and that support for FLEGT remains strong across EU and VPA countries, civil society and the private sector. It nevertheless acknowledges implementation challenges and changes in the global context which should inform future action across and within the different pillars and action areas of the FLEGT Action Plan."* The Evaluation further concludes that *"The FLEGT Action Plan has been effective in terms of its overall objectives (improved forest governance globally and reduced demand for illegal timber in the EU); however, the degree of effectiveness achieved in each of the action areas reflects the priority given and the level of investment.* It further noted that *"The design of the Action Plan provided a comprehensive overarching policy framework but does not include targets, priorities and associated budgetary resources to facilitate strategic planning. This has hampered its effectiveness and efficiency. Meanwhile, human resource needs for management of FLEGT action, and VPAs in particular, have been underestimated due to the unforeseen complexity of the VPA processes and the long-term implementation challenges.*

In addition to the above, the European Court of Auditors carried out a performance audit in 2015 focusing on EU support to timber-producing countries under the FLEGT Action Plan, resulting in Special Report No 13/2015¹⁰, while in parallel the Commission carried out a review of the functioning and effectiveness of the EU Timber Regulation after its first two years of

9 SWD(275)2016

10 Add reference to ECA report

application and submitted in February 2016 a Report to the European Parliament and the Council¹¹.

In response to the main conclusions and recommendations emerging from all the aforementioned evaluations, as well as to the political guidance on future action provided by the European Council¹², the present future work plan 2017-2020 for the implementation of the FLEGT Action Plan, should ultimately reflect both Commission and Member States action and should be intended to improve strategic planning by identifying specific objectives, actions, milestones and timeline. It should help prioritise action and should also be the basis for enhanced progress monitoring and reporting on the implementation of the Action Plan. Successful implementation of the future Work Plan will require broader political and financial support across EU Member States, as well as enhanced coordination between Commission and Member States.

The future work plan will be developed in close cooperation with EU Member States and will take into account the comments provided by the EUTR/FLEGT expert group, and the FLEGT Ad Hoc expert Group. The present working paper should also been presented and discussed with external stakeholders, including partner country governments, civil society and private sector representatives.

The actions presented are part of the on-going work of the Commission and do not constitute new commitments.

II. Objectives and structure of the work plan

The innovative design of the Action Plan which binds together, in a mutually supportive manner, development cooperation, environment and trade policies and actions within and outside the EU to tackle the underlying cause of illegal logging remains its strength. The three pillars of the Action Plan (law enforcement, governance and trade) will therefore continue to be implemented jointly to maximize impact and reinforce policy coherence for development.

The independent evaluation noted the ever increasing international attention to other drivers of deforestation, particularly agricultural expansion, as well as the increased calls on the EU and its Member States to step up their efforts to address deforestation with a view to achieve international forests-related commitments under the 2030 Agenda for Sustainable Development and its SDGs, the new UN Strategic Plan for Forests 2017-2030, the Paris Agreement, the CBD Aichi Biodiversity Targets, and others. Nevertheless, it is stressed here that the Action Plan was not intended to address by itself all the drivers of deforestation and that, in line with its stated objectives, it will continue to maintain its focus on tackling illegal logging and associated trade. Under its framework, the Commission and the Member States will nevertheless give increased

11 Add reference

12 Council Conclusions on FLEGT 6107/2016 (focusing on the ECA report) and 10721/2016 (FLEGT AP evaluation)

consideration to the issues related to illegal forest conversion and to how illegal logging relates to the other drivers of deforestation in producing countries. The contribution of the EU FLEGT Action Plan to address these challenges, including but not limited to VPA countries, includes the promotion of clarification of legal frameworks, better law enforcement, strengthening legality verification and forest governance, providing the platforms for a dialogue between governments and civil society and private sector, and promoting transparency and independent monitoring in the forest sector. Other elements of the EU FLEGT AP can also contribute to reduce the risk that timber coming from illegally converted forests reaches the EU, in particular the EU Timber Regulation which prohibits the placing of illegally harvested timber on the EU markets. The synergies between FLEGT and REDD+ approaches will continue to be fostered.

A feasibility study on a potential EU Deforestation Action Plan to assess opportunities to step up EU action against deforestation and forest degradation is currently ongoing and will be completed by mid-2017. This may inform further reflection at EU level. FLEGT achievements and lessons learned will be taken into account in this reflection to develop approaches to deforestation.

This working paper towards a FLEGT Work Plan 2017-2020 is structured around the main objectives set-out in the Action Plan, “a process which places particular emphasis on [forest related] governance reforms and capacity building [to address illegal logging and related trade in timber producing countries], supported by actions aimed at developing multilateral cooperation, and complementary demand-side measures designed to reduce the consumption of illegally harvested timber in the EU (and ultimately major consumer markets elsewhere)”. Considering the evolution of the international context, notably the reduced share of the EU in global timber trade and the increased role of other drivers in global deforestation, the forest governance objective of the FLEGT AP should be the focus of increased attention, in addition to its trade objective.

In order to better reflect priorities for the implementation period 2017-20, the seven action areas (AA) of the Action Plan¹³ have been grouped under three overarching priority areas “supply-side action”, “demand-side action”, and “multilateral framework” as follows.

Structure of the working paper towards a Work Plan for implementation of the FLEGT Action Plan

1. Supply side measures and collaboration with timber producing countries (AA1, 2, 3, 4 and 7):
 - 1.1. Voluntary Partnership Agreements (AA1, 2, and 4)
 - 1.2. Other options for FLEGT engagement (AA1, 2, 4 and 7)

¹³ Action Areas as presented in Chapter 4 of the FLEGT Action Plan: 1. Support to timber-producing countries; 2. Trade in timber; 3. Public procurement; 4. Private sector initiatives; 5. Financing and investment; 6. Supporting the Action Plan with existing legislative instruments; 7. Conflict timber

- 1.3. Cooperation with other major timber suppliers to the EU market (AA2)
 - 1.4. Financing and investment in the forest sector (AA 5 and 4)
2. Demand side measures
- 2.1. EUTR implementation (AA 2 and 3)
 - 2.2. Bilateral cooperation with other major consumer countries (AA 2)
 - 2.3. Other measures (including AA3 and 4)
3. Multi-lateral framework (AA2, 6, 7)
4. Cross-cutting and Operational issues
- 4.1. Financing of the work plan
 - 4.2. Planning and management arrangements and coordination between the Commission and Member States
 - 4.3. Monitoring and reporting
 - 4.4. Communication

Many areas cover both supply and demand side measures to a certain extent, but have to be classified for the sake of clarity. These areas actually contribute significantly to the coherence of the FLEGT Action Plan.

III. Actions by priority area

1. **Supply side measures: support to timber producing countries to improve forest governance and law enforcement, and to promote trade in legal timber**

The diversity of political and economic contexts, of institutional capacities, and of national objectives, under which national forest sectors operate in different countries, will continue to require a broad range of approaches to encourage and support timber producing countries to enhance forest law enforcement and governance and legal timber supply chains. The implementation of the FLEGT licensing scheme established under Council Regulation (EC) No. 2173/2005 and the related conclusion and implementation of FLEGT Voluntary Partnership Agreement (VPAs) will continue to remain a cornerstone of this priority area, for those timber producing countries that intend to establish a system for voluntary licensing of exports to the EU, and demonstrate the political commitment and capacity to do so. Nevertheless, enhanced cooperation with other relevant timber producing countries which are key to address illegal

logging at the global level can also be pursued through a range of engagement mechanisms for structured policy dialogue and support on FLEGT objectives.

Whether in the context of a VPA or of other options for FLEGT engagement, the support that the EU will continue to provide to timber producing countries will be framed by the thematic priorities established in the FLEGT AP, which remain fully relevant, mainly:

- i) promote stakeholder participation in forest policy design and implementation, and sharing of benefits from the forest sector with vulnerable groups;
- ii) promote transparency of information and decision making in the forest sector;
- iii) strengthen traceability and verification systems for timber legality;
- iv) build capacity of government and civil society to implement governance reforms, to tackle corruption, to enforce the regulatory framework and to monitor the forest sector;
- v) facilitate policy reform to improve coherence, inclusiveness and feasibility of the relevant regulatory framework.

Within this framework there will be also increased emphasis on a) stimulating the adoption of public procurement policies in producing countries to source legal timber; b) strengthening SME compliance with legal frameworks and value chain competitiveness; c) facilitating resolution of conflicts related to local access to forest resources. On the latter, a broad understanding of the relation between timber exploitation and conflict will add value to the last action area of the FLEGT Action Plan, encompassing not only illegal logging revenue fuelling armed conflicts, but also conflicts between local communities, indigenous peoples, private sector and business logging operations and / or state logging concessions. Synergies will be established with the EU policy on human rights and on good governance of land and forest tenure.

Particular attention will be paid to ensuring better synergies between EUTR implementation and FLEGT support to timber producing countries, particularly but not limited to countries engaged in VPAs. This includes ensuring that the support provided more directly help partner countries in meeting international market requirements (e.g. EUTR, Lacey, etc.), while also promoting wider forest governance and law enforcement reforms.

Additionally, in all countries with which the EU engages on FLEGT-related matters, cooperation with other major consumer and processing countries has become increasingly central, particularly considering that the EU leverage has changed due to shifting trade patterns, in order to avoid that results can be undermined by "leakages" due to the role played by less scrupulous markets. Options for closer cooperation with other major players have to be assessed at least in each country in which a VPA process is on-going. Experiences in cooperation with China in South-East Asia and Africa offer lessons learnt.

Support to a given country on these priority issues will be framed in a theory of change; specifying the overall intervention logic in the country.

For many timber producing countries, regional markets absorb a larger share of their exports than EU or even global markets. Moreover, countries engaged in efforts to promote legal timber trade need to establish mechanisms to ensure the legality of their imports too. The EU will seek to promote in VPA negotiations, as far as possible, the inclusion of all export markets in the timber legality assurance system, and of due diligence or other control measures on imports. It will also seek to stimulate cooperation and harmonisation between national legality assurance policies in regions in which it is engaged in several VPAs. Notably, the EU will continue to support the ongoing efforts by the Association of South East Asian Nations (ASEAN) to tackle illegal logging and related trade and develop a more coherent regional framework¹⁴, particularly in the context of the recently agreed Work Plan for Forest Law Enforcement and Governance (FLEG) in ASEAN, 2016 - 2025¹⁵, and support ASEAN work with major regional players such as China and Japan. The EU will also aim to promote Central and West African regional cooperation by identifying timber trade flows within the region and sharing best practices on FLEGT approaches. In addition civil society will also be encouraged to establish regional networks to strengthen their engagement in and independent monitoring of FLEGT and REDD+ processes.

1.1. FLEGT Licensing scheme and related FLEGT Voluntary Partnerships Agreements¹⁶

As summarised in the SWD on the evaluation, *Initiatives developed to support producer countries in the VPA context have, overall, produced good results in terms of improved governance, especially through the establishment of effective multi-stakeholder participation processes, capacity building, increased transparency, awareness-raising and policy dialogue. However, the negotiation and implementation of the VPAs proved more complex and demanding than expected, requiring significant capacity building, institutional strengthening and facilitation, tailored to the challenges and capacity of each country, and political commitment on the part of the partner country. Timber legality assurance systems have been developed as part of the VPAs, and although they have not yet resulted in a flow of FLEGT-licensed timber, the steps already taken in partner countries have facilitated compliance with the EUTR requirements¹⁷.* The degree of progress of the different countries, in terms of VPA implementation, has therefore been variable. All VPAs have benefited on a very significant level of financial support from the EU (Commission and/or Member States). An updated assessment of financial needs and potential (including national) sources of funding for the on-going VPA processes will be an essential element of better and more realistic VPAs implementation roadmaps. Financial aspects are further addressed in section IV.

14 Until such a regional framework has been developed in ASEAN, the possibility included in the FLEGT Action Plan to consider a region-to-region VPA is considered unrealistic.

15 http://forest-chm.asean.org/document_center/asof_fora/work_plan_fleg_in_asean.htm

16 Corresponds to action area (AA) 2 of the FLEGT AP.

17 SWD 2016 page 17

The Commission will continue to consider, in close cooperation with Member States and partner countries, ways to improve efficiency of the VPA process, including options for different forms of phased approach. In this context, particular attention will be paid to ensure better synergies between EUTR implementation and VPA process. This includes ensuring that progress and milestones achieved during the VPA process can help partner countries in meeting international market requirements (e.g. EUTR, Lacey Act, etc.).

The use of timber legality assurance systems (TLAS) for non EU exports and for the domestic market potentially enhances the impact of the VPA on illegal logging; on the other hand it significantly raises the complexity of effective implementation of a TLAS, especially in countries characterised by a high proportion of informal actors (micro enterprises, etc.). The EU will continue to encourage this broadened scope, where this is appropriate and relevant to the local context.

a) VPA in full implementation, including the emission of FLEGT licences

In the period 2017-20, this corresponds to Indonesia which started its FLEGT licensing scheme on 15 November 2016, and likely Ghana, although accelerated progress in other countries is not *a priori* excluded. The focus in the period 2017-20 will be on ensuring smooth operation of the FLEGT licensing system, with all its components both in partner countries and in the EU. Much effort is already ongoing to address the inevitable challenges of operating this novel scheme. Lessons learned from Indonesia will be documented for the benefit of other partner countries. Monitoring the implementation of the VPA in the partner countries and assessing the impact of the VPA will be particularly crucial. This work will remain embedded in a strong multi-stakeholder policy dialogue with the country as regards overall forest governance.

The Commission, in cooperation with Member States, who are ultimately responsible for the enforcement of the FLEGT regulation, will continue to cooperate closely to ensure an effective and uniform implementation of the regulation and to promote closer cooperation between FLEGT Competent authorities and Customs. The Commission and the Member States will continue their effort to increased understanding of the functioning of the FLEGT licensing scheme among market operators and further develop the information resources that have been developed to this end (e.g. FLEGT.org website, Q&A documents, national resources). The Commission may also consider the revision of current guidance notice on "Customs and FLEGT implementation guidelines"¹⁸ based on current experience with the operation of the FLEGT licensing scheme.

The EU will continue its activities to promote a favourable position in the EU for FLEGT-licensed timber, in particular by promoting a better understanding of FLEGT licences among EU market operators and engaging with the private sector to this end.

18 2014/C 389/02

b) VPA in the process of implementation

In the period 2017-20, this corresponds to those countries that have concluded a VPA and are working on its implementation (Ghana, Liberia, Republic of Congo, Central African Republic and Cameroon), and potentially to some of the countries presently negotiating a VPA. This category includes countries at very different stages of implementation, including both countries that have taken significant steps towards full implementation of the VPA and the start of FLEGT licensing, as well as countries that several years after the conclusion of the VPA have seen limited progress on the ground. A priority will be assessing the state-of-play and take corrective action on VPAs that struggle to meet expectations. These can be identified by some of the following criteria: implementation progress of the VPA measured against an implementation roadmap; degree of impact that the VPA has had on forest governance and on timber legality assurance; degree of engagement at political level of national authorities with the EU as regards VPA implementation; degree of engagement of own national staff and financial resources at technical level to progress on VPA implementation.

For the VPAs concerned on the basis notably of these criteria, and taking into account special circumstances where relevant, the EU will undertake, jointly with the partner country, a stock taking exercise of the past achievements and a "feasibility assessment" of reaching all agreed VPA objectives (both in terms of trade and forest governance) and corresponding time line. This will build on existing information where relevant, and emphasise as much as possible the process of discussion with the partner country. If the outcomes of this exercise points towards renewed commitment and prospects, a reinforced VPA implementation roadmap may be needed.

Lessons learnt indicate that for several VPAs, the following measures would play an important role in improving their effectiveness and could hence be considered, among others, in the reinforced implementation roadmap: i) reviewing the complexity and efficiency of the timber legality assurance system (TLAS) and compliance mechanisms; and ii) building capacity of authorities and operators to respond to EUTR requirements. The latter is key for the timber sector to address the short term challenges of a more demanding trading environment, until FLEGT licences in the longer term provide them with a more systemic response. In those countries where there is significant timber deriving from conversion of forests to other land uses, the Commission will, if appropriate, review the modalities by which conversion timber is addressed in the VPA and encourage national dialogue on this issue in order to enhance its effectiveness.

If the above-mentioned assessment of the VPA leads to the joint conclusion that the VPA, with its core components of TLAS and licensing system, may not be achievable in the near future, given the country's situation, capabilities and/or political priorities, another type of engagement on forest governance could be discussed between the EU and the partner country (cf. section 1.2), keeping in mind resource limitations.

c) VPA under negotiation.

In 2016, VPA negotiations were open, at least formally, with nine countries. Progress in these negotiations is very diverse, ranging from *close to initialling* to *stalled*. For those countries with which the negotiation process has stalled or has been less active, the EU will undertake a stock taking exercise and feasibility assessment of concluding VPA negotiations and realistically achieving implementation results (including an estimated timeframe). This will build on existing information where relevant, and emphasise as much as possible the process of discussion with the partner country. It should then conclude, in consensus with the partner country, either by defining a renewed negotiation strategy and planning for an active negotiation process, or by considering other options for engagement on FLEGT objectives (cf. section 1.2). Where applicable, in countries in early stages of the negotiations, the EU will pursue, in cooperation with partner countries, a much more systematic and structured assessment to establish a baseline for monitoring and evaluation, to address information gaps and provide for appropriate prioritisation and efficient use of resources, and to ensure synergies with national processes.

d) Favourable conditions to envisage opening new VPA negotiations.

Lessons from the on-going VPA negotiations, highlighted in the evaluation of the FLEGT AP, show that a VPA can have real potential to foster legal timber trade and improved forest governance in a timber producing country, and negotiations can have relatively positive likelihood of successful conclusion, if certain conditions are met before launching them. Criteria for the EU to consider before launching new VPA negotiation should include political will and level of demand, institutional capacity, rule of law, significance of forests in a country and internationally, and levels of trade with the EU, among others. Financial, human and other relevant resources available on the EU side (both from the Commission and the Member States) should also be considered (as explained also under 4.1). The EU intends to assess these conditions before engaging in VPA negotiations, if requested by a country. Different alternatives should be considered (cf. Section 1.2) so as to engage, if at all, in the process best adapted to a country's objectives and situation. An extended preparatory phase, aimed at fostering a national consensus around the FLEGT process, pursuing basic legal and policy reforms and building capacity for traceability and legality verification before VPA negotiations are launched, could be a useful means to ultimately confirm the interest of a VPA, and to shorten potentially long and hence costly negotiation and implementation phases. Where applicable this extended preparation phase could consist of an earlier stage of "FLEGT Structured Dialogues" as presented in section 1.2 below.

Potential new VPA negotiations should maintain multi-stakeholder dynamics, but should also increase emphasis on the feasibility of the timber legality assurance systems, which need to be realistic in relation to the capacities in the country.

1.2. Other options for FLEGT engagement and support

Lessons highlighted in the evaluations show that different approaches to support producer countries to address their forest governance challenges can have meaningful impacts, and that a VPA may not be the most relevant tool to address forest governance challenges in all countries. A flexible approach to pursuing FLEGT objectives in different country contexts will continue to be provided through a range of differentiated tools, especially in the thematic priority areas identified in section 1, on support to producing countries. This could take, for example, one or more of the following forms: i) specific support actions contributing to the FLEGT objectives; these "FLEGT trademarked" actions (mainly technical assistance and training) would be coherently inserted in an agreed theory of change for the forest sector in the country; ii) integrating FLEGT objectives into "Forest sector programmes" related to forest governance, guided by policy dialogue between the EU (Commission and/or MS) and the partner country (the emphasis is stronger on the "G" (governance) of FLEGT) ; iii) "FLEGT Structured Dialogues" focussing on the building blocks of FLEGT (in addition to governance dimension, the emphasis is stronger on the "T" (Trade) of FLEGT), such as legality definition, traceability and verification, transparency, independent monitoring, etc. This Dialogue would be based on agreed objectives and milestones, structured dialogue mechanism and monitoring process including multi-stakeholder participation. "FLEGT trademarked actions", "Forest sector programmes", and "FLEGT Structured Dialogues", where available, could be mutually reinforcing. Where applicable, a successful FLEGT Structured Dialogue could be part of a preparatory phase before launching of new VPA negotiations.

Where applicable, Partnership and Cooperation Agreements and/or Free Trade Agreements between the EU and third countries will continue to be used to discuss issues related to sustainable forest management and illegal logging. Options to make the related provisions more operational will also be explored.

Any option for engagement would be adapted to the capacities of the country and aligned with country objectives, whether in terms of deforestation and forest governance as framed notably by NDC commitments, REDD+ strategies, National Forest Programmes, or more focussed on supporting the country and its forest-based industry to adapt to international market requirement on timber legality (e.g. EUTR).

To engage in such options for engagement, the Commission would give priority to countries where there is i) demand from public and private stakeholders; ii) existence of forest sector governance strategies; iii) commitment to established governance reform processes; iv) a forest sector of importance to the national economy and/or to the global environment; v) trade with the EU.

1.3. Cooperation with other major timber suppliers to the EU market

The EU is the largest consumer of timber products from Eastern EU neighbours (e.g. Russia, Ukraine, Belarus), as well as the EU candidate countries and potential candidates, which are also

a source of an important percentage of EU imports and where the forest sector represents an important part of national economies. The EU is also one of the main consumers of timber and timber products coming from other major producer countries, such as Brazil. In general, it is necessary to build closer inter-institutional relations and private sector networks with these major timber supplying countries to the EU market, to ensure that the objective of the Action Plan are achieved. Concerning specifically eastern EU neighbours and EU candidate countries and potential candidates, it is necessary to address knowledge gaps concerning the phenomenon of illegal logging and related trade with a view to improve understanding and ensure more effective EUTR implementation in the EU. The EU already engages with many of these countries through a range of mechanisms, fora and high level dialogues¹⁹ which provide the basis for discussion on combatting illegal logging and related trade, but, where needed, other alternative cooperation mechanisms can be established, including using the approaches described in section 1.2 (e.g. focusing on FLEGT building blocks such as legality definition, traceability and verification, transparency, independent monitoring, etc). Where appropriate, a Member State or a coalition of Member States could play a technical facilitating role and use their bilateral relationship to promote FLEGT objectives and share information with the rest of the Member States. Different initiatives, based on the previous experiences, can be developed, including: networks for exchange of information and best practices; reciprocal study visits; studies on timber flows and legislative frameworks; strengthening cooperation with relevant international organisations; and scientific collaboration. Cooperation should be particularly promoted between Competent Authorities of the EU and of these major supplier countries.

More in-country engagement through the relevant mechanisms could be envisaged for Eastern EU Neighbours as well as EU Candidate Countries and Potential Candidates, commensurate to their significance in terms of timber trade to the EU, and for EU Candidate Countries and Potential Candidates considering also the need to facilitate environmental legislation approximation, specifically concerning the EUTR.

1.4. Financing and investment in the forest sector

Public and private financial institutions in the EU, and to a lesser degree in other capital markets, will continue to be encouraged to adopt effective mechanisms to guarantee legality and/or sustainability of the operations they finance in the timber sector or in sectors potentially linked to deforestation.

Within the existing EU External Investment Plan and blending facilities, the Commission may seek to stimulate an increase of financial flows to investments in sustainable timber and wood product projects, whether in production forests or forest plantations, and , to leverage investments and financial products with conditions adapted to the specificities and return period of sustainable business operations, and of the forest sector.

¹⁹ This includes a variety of instruments such as Stabilisation and Association Agreements, Accession negotiations, partnership agreements, Partnerships and Cooperation Agreements, High-Level Dialogues on Environment, etc.

2. Demand side measures: reduce the demand for illegal timber in the EU and ultimately globally

2.1. EUTR implementation

The Commission, in cooperation with Member States, who are ultimately responsible for the enforcement of the regulation, will continue work towards an ever more effective and uniform EUTR implementation across the EU. As concluded in the EUTR review report (2016), more efforts and adequate resources are needed from Member States to step up implementation and achieve effective and a more coherent application and enforcement of the EUTR throughout the EU.

To this end, the Commission will continue to ensure that the EUTR is fully implemented by Member States through a number of measures to promote compliance: Regular bi-monthly meetings at the EU level and direct contacts on daily basis; EUTR/FLEGT Communication platform; Developing guidance; Promoting cooperation with third countries, particularly other major consumer and processing countries; Promoting the effective use of the synergies with the VPA processes and the EU work in other producer countries so that these processes contribute to higher levels of compliance with the EUTR and higher quality of enforcement (see section 1 above); and Encouraging sharing of experience and best practice between Member States.

In addition to the above, the Commission intends to carry out a range of new initiatives, including as a follow-up to the 2016 EUTR review, including:

- Trade analysis: Assessment of trends and patterns and identification of the species, products and trades routes to which Authorities should be attentive;
- Analysis of MS relevant legislation (for EUTR and FLEGT Regulation): Identification of possible areas for improvement;
- Study on the application of EUTR obligations by operators representing different segments of industry, identifying best practices, challenges and shortcoming, particularly considering the quality and cost-effective practices in application of due diligence systems;
- Analysis of the costs, administrative and other consequences of the compliance with EUTR for industry, particularly small and medium-sized enterprises;
- Further development of concepts for application of the EUTR (due diligence, risk assessment and mitigation, prohibition, monitoring organisations, typology of supply chains, ...);
- Compilation and analysis of information on cases where specific attention of the Authorities might be required based on publicly available information and specific reports both in EU and in third countries.

2.2. Bilateral cooperation with other major consumer countries (China, Japan, USA, Australia and others)

The FLEGT Action plan did envisage since its conception continued efforts by the EU to develop a multilateral framework to address illegal logging and associated trade and to strengthen international dialogue and cooperation, particularly with other major consuming and processing countries.

Capitalising on the work carried out so far, the EU will continue to explore opportunities to further strengthen its engagement with other major importing countries with demand-side measures in place (e.g. USA, Australia, Japan), particularly in order to share information about respective implementation/enforcement issues and coordinate support to producer countries, as well as with countries with legislative frameworks under development (e.g. Korea). The EU will also continue its formalized cooperation with China under the Bilateral Coordination Mechanism (BCM) and support China's ongoing work on the analysis of possible legislative measure, development of the China Timber Legality Verification system (CTLVS) and cooperation on action in third countries (e.g. China-Indonesia and China-Africa timber trade). This work is crucial not only for the EUTR enforcement but also for the work in VPA countries as much of the timber and timber products from VPA countries is exported to other major consuming and processing countries. The following initiatives could benefit from further development, among others: involvement of international financial organisations; capacity building; cooperation between customs authorities; and establishing a technical level dialogue on demand side measures which includes major market players, with the objective to facilitate exchange and lessons learning among major timber consumer countries on demand side measures and determine opportunities to secure synergies at global level and avoid loopholes for illegal timber in global supply chains.

This collaboration will include enhancing legislations and policies, exploring options to draft joint guidelines for cross border trade, and exchanging best practices, including on improved enforcement. In addition, closer cooperation with timber producing countries, notably and Africa and SE Asia, will be further explored. On the one hand, the EU experience with VPA and other producing countries can be central and the FLEGT licences recognised in other major countries. On the other hand, particularly in countries where the levels of trade with the EU are minor, close cooperation with other relevant major market player will be crucial for success (as described under 1).

2.3. Other demand side measures

2.3.1 Public procurement in the EU

In this area, the Commission will continue to promote Green Public Procurement (GPP) policies in line with its 2008 communication Public Procurement for a Better Environment²⁰ and

20 Add reference

encourage Member States to develop/adapt their national policies to this end, including by taking full advantage of the new opportunities offered under the revised EU Public Procurement directives.²¹ The Commission has already developed voluntary GPP criteria for the most relevant product groups that may contain timber product, (a) Office building, (b) Furniture, (c) Copying and graphic paper, (d) Wall panels. Timber legality is already a core criterion for wood product under the GPP criteria. In the latest revisions, EUTR provisions are the basis for this criterion and the role of FLEGT licences as automatically compliant is recognised. The Commission therefore continues to encourage Member States to recognise FLEGT licences in their national policies.

3. Multilateral framework

At multilateral level, the Commission will continue to work with Member States to promote the FLEGT Agenda at global level. The Agenda 2030 for sustainable development and its associated Sustainable Development Goals, the recent adoption of the first ever UN Strategic Plan on Forests (2017-2030)²², as well as the adoption of the Paris Agreement (and related Intended Nationally Determined Contributions (INDCs) provide new opportunities to anchor the FLEGT agenda into a wider global narrative and to highlight the multiple benefits from an SDGs perspective of the FLEGT process.

The focus will be on:

- Continued engagement with traditional forest-related bodies at the global (UNFF, ITTO, FAO) and regional level to seize opportunities to move FLEGT agenda from a global perspective
- Increase focus on multilateral fora dealing with law enforcement to combat forest crime: UNODC, INTERPOL and UNEP work on Environmental crime/corruption
- Continued work on FLEGT/REDD+ linkages/synergies (governance reforms, multi-stakeholders' dialogue, MRV/Forest monitoring, Independent forest monitoring by civil society) and support the incorporation of commitments to tackle illegal logging and related trade within INDCs or INDCs delivery strategies under the Paris Agreement.

In addition, the EU Action Plan against wildlife trafficking, adopted in 2016, offers a framework to act on the strengthening of international commitments to fight timber trafficking. The Commission will develop a specific collaboration with multi-lateral and other institutions with law enforcement mandates, complemented by local support to civil society engaged against wildlife trafficking, including timber. This would also contribute to addressing cases of conflict timber.

²¹ Add references

²² The first ever UN Strategic Plan for Forests 2017-2030 includes a specific goal on forest governance and a specific target on significantly reducing illegal logging.

Building on successful track record of synergies created between CITES and FLEGT, collaboration with CITES will continue, in terms of listing of additional tree species in CITES annexes and of improving compliance and enforcement.

The EU will seek opportunities to work on illegal logging under the scope of OECD and WTO committee on Trade and Environment noting that the new Trade for All explicitly foresees to *actively promote the international uptake of the ambitious EU approaches to conflict minerals and illegal logging, building on the work of the OECD, UN and G7.*

4. Operational issues

4.1. Financing

Funding of the implementation of the Action Plan has come from a variety of sources, including in particular from the Global Public Goods and Challenges thematic programme and its "FLEGT Flagship", bilateral and regional cooperation, the European Neighbourhood and Partnership Instrument (ENPI), the Partnership Instrument, TAIEX/TAIEF, LIFE and other Commission resources, as well as from complementary funding from Member States. The Commission and Member States will develop a system to monitor this "FLEGT" expenditure.

Significant funding has come from development cooperation and has been focused on providing support to timber producing countries. But the amount of human and financial resources invested by both Commission and Member States to ensure effective implementation amongst others of the domestic measures should not be underestimated. In this respect, the 2016 review of the EUTR has highlighted that adequate resources are needed from Member States to step up implementation and achieve effective and a more coherent application and enforcement of the EUTR throughout the EU.

It is important to acknowledge that EU finance has been necessary for progress in implementation of the whole FLEGT Action Plan, including for progress in VPA negotiations (funding civil society, technical assistance and experts, facilitators, capacity building, organisation of meetings, etc.) as well as in VPA implementation (funding TLAS design and deployment, independent monitoring, institutional capacity building, civil society engagement, private sector readiness to comply with the verification system, etc.), keeping in mind significant country differences. Other types of engagement with timber producing countries have also required and will continue to require financial means. In some cases, partner countries themselves have also invested domestic resources. The Commission and the Member States have no legal obligation to provide financial support to countries engaged in VPA processes nor to other FLEGT engagements, but such financial support could continue, provided that efficiency and results are ensured, particularly in countries which are highly donor dependent. However increased attention will be paid to the concerns about financial sustainability of VPA implementation; it will be analysed at national level, including cost implications and potential revenues, and a financing strategy will be established, considering financial sources beyond ODA. This will help inform decisions on a sustainable way forward for the VPA in each country.

4.2. Planning and management arrangements and mechanisms for EU collaboration

The future work plan, as requested by the Council, should be a joint Commission and Member States commitment. All actions to be undertaken in direct pursuit of the FLEGT AP objectives, undertaken by the Commission and MS, should appear in this future work plan, and should be monitored and reported on jointly.

Broader political and financial support for the implementation of the FLEGT Action Plan across EU Member States, as well as enhanced coordination between Commission and Member States has been highlighted by the evaluation as an essential element of one of the area. The Commission has called on Member States to further step up their involvement in support of the FLEGT Action Plan implementation. The Member States have recently expressed their continued support to the FLEGT action plan implementation in the recent Council conclusions on FLEGT 10721/16 of 28 June 2016 and recognized that since human and financial resources within the Commission and Member States are limited, prioritisation of activities, especially regarding the VPAs, is urgently needed and that efforts and adequate resources are needed from Member States to step up implementation and achieve effective and a more coherent application and enforcement of the EUTR throughout the EU . The Commission has called on Member States to further step up their involvement in support of the FLEGT Action Plan implementation and is currently considering in cooperation with Member States options to further strengthen coordination mechanisms. This includes:

- Continued effective use of the Commission FLEGT/EUTR expert group to support the commission in implementation of the EUTR and FLEGT regulation;
- Use of FLEGT Ad Hoc Expert Group to coordinate FLEGT AP implementation and monitoring;
- Closer in-country coordination through EU Delegations
- Enhanced involvement of Member States, alongside the Commission, in relevant bilateral dialogues (e.g. China BCM).

As regards VPA, in a given country, a Member State could take the lead on technical coordination of FLEGT related initiatives in which the Commission and MS are involved.

4.3. Monitoring and evaluation

Given the breadth of the FLEGT Action Plan as a comprehensive policy framework which includes a wide range of measures (e.g. regulations, political dialogues, trade agreements, development cooperation support) and multiple levels of action (global, EU, Member States and non-EU countries), three levels of monitoring are envisaged, to track progress on implementation and impact of the FLEGT Action Plan:

- (1) Assessing the impact of FLEGT AP at the global level;

As regards the assessment of the overall impact of the FLEGT Action Plan, robust indicators will be developed for monitoring at global level the impact of the FLEGT Action Plan and tested in consultation with the Commission, Member States and other FLEGT partners.

(2) Progress in implementation of the future FLEGT Work Plan;

The future FLEGT Work Plan 2017-2020 will serve as the basis for enhanced progress monitoring and reporting on the implementation of the Action Plan. As presented in the attached table, each priority area included in this working paper is linked to a specific objective and a specific milestone. These should allow to regularly monitor implementation of the future Work Plan and hence of the Action Plan.

A biennial reporting mechanism against the future work plan will be set up, that will include the full range of activities outlined in the Annex. This should be complementary to and consider other reporting mechanisms under the FLEGT AP, including the mandatory reporting requirements under the FLEGT regulation and EU Timber Regulation, as well as the monitoring of progress and achievements in timber producing countries described below.

Member States continue to be responsible for the monitoring of their bilateral support to timber producing countries in the context of FLEGT and for sharing these with the Commission. The activities undertaken by MS should also be identified in the future joint Work Plan.

(3) FLEGT AP implementation, progress and achievements at national level in timber producing countries

This will cover both countries engaged in VPA processes and other timber producing countries. A database will be established to provide information on progress and achievements in countries based on a range of 32 indicators that have been agreed with the EU FLEGT facility and Members States supporting FLEGT AP implementation in timber producing countries. For VPA countries, the monitoring framework will also take into consideration VPA-specific monitoring mechanisms, namely:

- (1) Annual reports published by the Joint Implementation Committee at national level;
- (2) Annual Independent Audit/Periodic Evaluation of the VPA implementation at national level;
- (3) National VPA impact monitoring systems²³;

23 Each signed VPA includes an obligation by the Parties to monitor the in-country impact of the VPA. Piloting of these systems is ongoing in Ghana, Indonesia and Liberia. This will cover the five broad areas of poverty and livelihoods, economic growth, forest condition, institutional effectiveness and accountability, and illegal logging.

(4) Independent Market Monitoring of FLEGT licenced timber²⁴.

4.4. Communication

The Council conclusions highlighted the importance of communication to ensure a common and comprehensive understanding of the objectives and impacts of the whole FLEGT AP (notably its impacts and results in terms of forest governance, independently from the emission or not of licences), and to manage expectations (notably of different stakeholders in terms of funding expectations). Communication tools have been developed for and will continue to be used (and refined if needed) by stakeholders directly involved in FLEGT implementation, in producing countries and in EU MS. A communication strategy will be elaborated and rolled out to raise understanding of and support for the FLEGT AP in a broader range of target groups. It will be guided amongst others by the need to be balanced and realistic on the full spectrum of FLEGT objectives and achievements. It will also highlight the contribution of FLEGT AP implementation to the Agenda 2030 and the Paris Agreement.

²⁴ The main objective of the FLEGT Independent Market Monitoring (IMM) – a multi-year project implemented through the International Tropical Timber Organization (ITTO) - is to monitor how the EU and wider international market for FLEGT licensed timber develops during the implementation of VPAs.